

KEOKUK COUNTY, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2014

KEOKUK COUNTY, IOWA

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KEOKUK COUNTY, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Hadley	Board of Supervisors	January, 2015
Michael Berg	Board of Supervisors	January, 2017
Daryl Wood	Board of Supervisors	January, 2015
Christy Bates	County Auditor	January, 2017
Christine Edmundson	County Treasurer	January, 2015
Melissa Bird	County Recorder	January, 2015
Casey Hinnah	County Sheriff	January, 2017
John E. Schroeder	County Attorney	January, 2015
Ronald Richmond	County Assessor	January, 2016

## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Keokuk County, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Keokuk County, Iowa as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Keokuk County, Iowa, as of June 30, 2014, and the respective changes in its financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require management's discussion and analysis, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 4 through 8 and 32 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Keokuk County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2015, on our consideration of Keokuk County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Keokuk County, Iowa's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
January 7, 2015

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Keokuk County, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

## 2014 FINANCIAL HIGHLIGHTS

- The County's Governmental funds' revenues increased \$1,530,077 from fiscal year 2013 to fiscal year 2014. Capital grants, contributions and restricted interest increased \$1,191,664.
- The County's Governmental funds' expenditures totaled \$2,379,342 less in fiscal year 2014 than in fiscal year 2013. Road and transportation expenditures made up the largest decrease at \$2,411,723.
- The County's Governmental funds' net position increased 21.7%, or \$4,724,755, from June 30, 2013 to June 30, 2014.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Keokuk County, Iowa as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Keokuk County, Iowa's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide financial information about activities for which Keokuk County, Iowa acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt, capital projects, and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include:
  1. The General Fund,
  2. The Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads,
  3. The Capital Projects Fund.

These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for agriculture extension education, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the governmental fund financial statements.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial position. Keokuk County, Iowa's combined net position increased from \$21,775,607 to \$26,500,362 during the year ended June 30, 2014. The analysis that follows focuses on the changes in the net position for governmental activities.

Net Position of Governmental Activities

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current and other assets	\$ 10,668,135	\$ 10,148,773
Capital assets	<u>21,721,195</u>	<u>17,316,551</u>
Total assets	<u>32,389,330</u>	<u>27,465,324</u>
Long-term liabilities	255,383	294,175
Other liabilities	<u>762,057</u>	<u>817,721</u>
Total liabilities	<u>1,017,440</u>	<u>1,111,896</u>
Deferred inflows of resources	<u>4,871,528</u>	<u>4,577,821</u>
Net position:		
Net investment in capital assets	21,721,195	17,316,551
Restricted	4,090,074	3,923,383
Unrestricted	<u>689,093</u>	<u>535,673</u>
Total net position	\$ <u>26,500,362</u>	\$ <u>21,775,607</u>

Net position of Keokuk County, Iowa's governmental activities increased by \$4,724,755 (\$26,500,362 compared to \$21,775,607). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt (if any) related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$689,093 and \$535,673 at June 30, 2014 and 2013, respectively.

Changes in Net Position of Governmental Activities

	<u>Year Ended</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Revenues:		
Program revenues:		
Charges for service	\$ 1,075,554	\$ 1,023,518
Operating grants, contributions and restricted interest	5,040,361	4,700,927
Capital grants, contributions and restricted interest	1,926,050	734,386
General revenues:		
Property and other county tax	2,582,887	2,604,628
Penalty and interest on property tax	29,627	52,943
State tax credits	165,178	154,358
Unrestricted investment earnings	20,044	35,579
Loss on disposal of capital assets	(2,000)	-
Other general revenues	<u>4,930</u>	<u>6,215</u>
Total revenues	<u>10,842,631</u>	<u>9,312,554</u>
Program expenses:		
Public safety and legal services	1,039,068	915,895
Physical health and social services	568,821	555,192
Mental health	160,645	282,567
County environment and education	614,946	510,824
Roads and transportation	1,689,116	4,100,839
Governmental services to residents	352,621	345,003
Administration	1,685,229	1,777,233
Interest on long-term debt	<u>7,430</u>	<u>9,665</u>
Total expenses	<u>6,117,876</u>	<u>8,497,218</u>
Change in net position	4,724,755	815,336
Net position beginning of year	<u>21,775,607</u>	<u>20,960,271</u>
Net position end of year	\$ <u>26,500,362</u>	\$ <u>21,775,607</u>

The County increased property tax asking for the 2015 fiscal year by 6.9%. The property and other County tax asking for the fiscal year 2015 was set at \$4,605,078, an increase of \$298,962 from the fiscal year 2014.



## INDIVIDUAL MAJOR FUND ANALYSIS

As Keokuk County, Iowa completed the year, its governmental funds reported a combined fund balance of \$5,204,145, an increase of \$309,695 compared to last year's total of \$4,894,450. The increase in fund balance is primarily attributable to the General, Secondary Roads and MHDD Services Funds. The following are the major reasons for the changes in the fund balances of the major governmental funds from the prior year:

- General Fund revenues and expenditures were \$3,657,765 and \$3,815,028, respectively. The ending fund balance showed a decrease of \$247,663 from the prior year to \$1,699,697. The fund balance decrease for the fiscal year ending June 30, 2013 was \$376,061.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$159,787 a decrease of 43.3% from the prior year. Revenues decreased in the current year by \$16,386, a decrease of 3.2% from the prior year. The Mental Health Fund balance at year end increased by \$340,371 from the prior year.
- Rural Services ending fund balance increased \$965 from the June 30, 2013 balance.
- Secondary Roads Fund revenues increased by \$441,257 compared to the prior year. This increase in revenue resulted in an increase in the Secondary Roads Fund ending balance of \$145,823 or 10.8%.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Keokuk County, Iowa amended its budget once. The amendment was made in May 2014 and resulted in an increase in budgeted disbursements for the roads and transportation function.

The County's receipts were \$92,748 more than budgeted, a variance of 1%. The most significant variance resulted from the County receiving more miscellaneous receipts than anticipated.

Total disbursements were \$1,039,869 less than the amended budget. Actual disbursements for the physical health and social services, mental health, administration and capital project functions were \$144,421, \$323,895, \$300,574, and \$162,113 respectively, less than budgeted.

Even with the budget amendments, the County exceeded the budgeted amounts in the roads and transportation function for the year ended June 30, 2014.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2014, Keokuk County had \$21,721,195 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$4,404,644 or 25.4% percent more than last year.

#### Capital Assets of Governmental Activities at Year End

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Land	\$ 1,011,300	\$ 1,011,300
Construction in progress	1,926,050	734,386
Buildings and improvements	1,322,249	1,373,336
Equipment and vehicles	1,939,963	1,743,675
Infrastructure	<u>15,521,633</u>	<u>12,453,854</u>
Total	\$ <u>21,721,195</u>	\$ <u>17,316,551</u>
Major additions included:		
Construction in progress	\$ 1,926,050	\$ 734,386
Equipment and vehicles	584,885	612,799
Infrastructure	<u>2,815,099</u>	<u>1,282,182</u>
Total	\$ <u>5,326,034</u>	\$ <u>2,629,367</u>

The County had depreciation expense of \$919,390 in fiscal year 2014 and total accumulated depreciation of \$6,593,217 at June 30, 2014.

The County's fiscal year 2014 capital budget included \$456,000 for capital projects, principally for road and bridge improvements and conservation projects. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

## Long-Term Liabilities

At June 30, 2014, Keokuk County, Iowa had \$569,946 in general obligation capital loan notes and other long-term liabilities outstanding compared to \$588,544 at June 30, 2013, as shown below:

### Outstanding Long-term Liabilities of Governmental Activities at Year-End

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Capital loan notes	\$ 120,000	\$ 175,000
Compensated absences	254,563	239,369
Sick leave conversion	24,575	29,118
Net OPEB liability	<u>170,808</u>	<u>145,057</u>
Total	\$ <u>569,946</u>	\$ <u>588,544</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Keokuk County, Iowa's outstanding general obligation debt of \$120,000 is significantly below its constitutional debt limit of \$26,792,039. Other obligations include net OPEB liability, accrued compensated absences and sick leave conversion. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Keokuk County, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and the fees charged for various County activities. One of those factors is the economy. Unemployment (as of June 2014) in the County now stands at 4.2% versus 4.8% a year ago. This compares with the State's unemployment rate of 4.4% and the national rate of 6.1%.

Inflation in the State was somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.615% for the twelve month period ending June 2014 compared with the national rate of 4.839%.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are \$9,924,166, an increase of .98% from the final fiscal year 2014 budget. The amount of revenue to support the above expenditures is projected to increase 2.9% from the fiscal year 2014 budget to \$8,913,962. Property and other County taxes supporting the fiscal year 2015 budget increased \$298,962 from the fiscal year 2014 budget and makes up 46.4% of the revenue for the fiscal year 2015 budgeted expenditures.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of the 2015 fiscal year by \$1,010,204 leaving an overall reserve of approximately 33.6% of budgeted fiscal year 2015 expenditures.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Keokuk County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Keokuk County Auditor's Office, 101 South Main Street, Sigourney, Iowa.

## KEOKUK COUNTY, IOWA

STATEMENT OF NET POSITION  
JUNE 30, 2014Governmental  
ActivitiesASSETS:

Cash, cash equivalents and pooled investments	\$ 4,839,305
Receivables:	
Property tax:	
Delinquent	11,414
Succeeding year	4,871,528
Accounts	31,232
Due from other governments	232,447
Contracts receivable	110,540
Inventories	351,537
Prepaid expenses	220,132
Capital assets (net of accumulated depreciation)	21,721,195
<b>TOTAL ASSETS</b>	<b>32,389,330</b>

LIABILITIES:

Accounts payable	250,813
Salaries and benefits payable	78,302
Due to other governments	22,442
Accrued interest payable	436
Deferred revenues	95,501
Long-term liabilities:	
Portion due and payable within one year:	
Capital loan notes	60,000
Compensated absences	254,563
Portion due and payable after one year:	
Capital loan notes	60,000
Sick leave conversion	24,575
Net OPEB liability	170,808
<b>TOTAL LIABILITIES</b>	<b>1,017,440</b>

DEFERRED INFLOWS OF RESOURCES:

Unavailable revenues:	
Unavailable property tax revenue	4,871,528

NET POSITION:

Net investment in capital assets	21,721,195
Restricted for:	
Supplemental levy	585,626
Mental health	934,612
Rural services	662,728
Secondary roads	1,505,777
Other purposes	401,331
Unrestricted	689,093
<b>TOTAL NET POSITION</b>	<b>\$ 26,500,362</b>

## KEOKUK COUNTY, IOWA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	
Governmental activities:					
Public safety and legal services	\$ 1,039,068	\$ 52,101	\$ 25,726	\$ -	\$ (961,241)
Physical health and social services	568,821	243,796	76,784	-	(248,241)
Mental health	160,645	8,341	487,918	-	335,614
County environment and education	614,946	147,813	779,296	-	312,163
Roads and transportation	1,689,116	424,755	3,430,806	1,926,050	4,092,495
Governmental services to residents	352,621	192,609	226,471	-	66,459
Administration	1,685,229	6,139	13,360	-	(1,665,730)
Interest on long-term debt	7,430	-	-	-	(7,430)
Total	\$ <u>6,117,876</u>	\$ <u>1,075,554</u>	\$ <u>5,040,361</u>	\$ <u>1,926,050</u>	<u>1,924,089</u>
General revenues:					
Property and other County tax levied for:					
General purposes					2,582,887
Penalty and interest on property tax					29,627
State tax credits					165,178
Unrestricted investment earnings					20,044
Miscellaneous					4,930
Loss on disposal					(2,000)
Total general revenues					<u>2,800,666</u>
Change in net position					4,724,755
<u>NET POSITION</u> - Beginning of year					<u>21,775,607</u>
<u>NET POSITION</u> - End of year					\$ <u>26,500,362</u>

## KEOKUK COUNTY, IOWA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

ASSETS	General	Special Revenue			Nonmajor Governmental Funds	Total
		MH-DD Services	Rural Services	Secondary Roads		
Cash, cash equivalents and pooled investments	\$ 1,582,607	\$ 945,671	\$ 669,968	\$ 1,211,207	\$ 402,668	\$ 4,812,121
Receivables:						
Property tax:						
Delinquent	7,942	127	3,345	-	-	11,414
Succeeding year	3,389,615	54,147	1,427,766	-	-	4,871,528
Accounts	23,228	-	-	4,919	3,085	31,232
Due from other governments	44,603	39	-	187,805	-	232,447
Contracts receivable	-	-	-	110,540	-	110,540
Inventories	-	-	-	351,537	-	351,537
Prepaid expenses	128,365	-	-	-	-	128,365
<b>TOTAL ASSETS</b>	<b>\$ 5,176,360</b>	<b>\$ 999,984</b>	<b>\$ 2,101,079</b>	<b>\$ 1,866,008</b>	<b>\$ 405,753</b>	<b>\$ 10,549,184</b>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>						
<u>LIABILITIES:</u>						
Accounts payable	\$ 15,274	\$ 7,578	\$ 7,240	\$ 219,018	\$ 1,703	\$ 250,813
Salaries and benefits payable	49,268	368	-	28,646	-	78,302
Due to other governments	14,564	3,132	-	2,027	2,719	22,442
<b>TOTAL LIABILITIES</b>	<b>79,106</b>	<b>11,098</b>	<b>7,240</b>	<b>249,691</b>	<b>4,422</b>	<b>351,557</b>
<u>DEFERRED INFLOWS OF RESOURCES:</u>						
Unavailable revenue:						
Succeeding year property tax	3,389,615	54,147	1,427,766	-	-	4,871,528
Other	7,942	127	3,345	110,540	-	121,954
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,397,557</b>	<b>54,274</b>	<b>1,431,111</b>	<b>110,540</b>	<b>-</b>	<b>4,993,482</b>
<u>FUND BALANCES:</u>						
Nonspendable:						
Inventories	-	-	-	351,537	-	351,537
Prepaid expenses	128,365	-	-	-	-	128,365
Restricted for:						
Supplemental levy	585,626	-	-	-	-	585,626
Mental health	-	934,612	-	-	-	934,612
Rural services	-	-	662,728	-	-	662,728
Secondary roads	-	-	-	1,154,240	-	1,154,240
Other purposes	-	-	-	-	401,331	401,331
Unassigned	985,706	-	-	-	-	985,706
<b>TOTAL FUND BALANCES</b>	<b>1,699,697</b>	<b>934,612</b>	<b>662,728</b>	<b>1,505,777</b>	<b>401,331</b>	<b>5,204,145</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 5,176,360</b>	<b>\$ 999,984</b>	<b>\$ 2,101,079</b>	<b>\$ 1,866,008</b>	<b>\$ 405,753</b>	<b>\$ 10,549,184</b>

KEOKUK COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014

Total governmental fund balances	\$ 5,204,145
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$28,314,412 and the accumulated depreciation is \$6,593,217.	21,721,195
Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows in the governmental funds.	121,954
The Internal Service Fund is used by management to charge the costs of the County's health and dental insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statements of net position.	23,450
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(436)
Long-term liabilities, including capital loan notes, compensated absences payable, net OPEB liability and sick leave conversion, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(569,946)</u>
Net position of governmental activities	\$ <u>26,500,362</u>

## KEOKUK COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Special Revenue</u>	<u>Nonmajor</u>	
		<u>MH-DD</u>	<u>Rural</u>	<u>Governmental</u>
		<u>Services</u>	<u>Services</u>	<u>Funds</u>
			<u>Secondary</u>	
			<u>Roads</u>	<u>Total</u>
<b>REVENUES:</b>				
Property and other County tax	\$ 2,597,535	\$ 461,193	\$ 1,264,608	\$ 4,323,336
Interest and penalty on property tax	29,627	-	-	29,627
Intergovernmental	265,508	30,624	71,858	3,433,930
Licenses and permits	14,400	-	3,573	17,973
Charges for service	473,920	-	896	570,052
Use of money and property	271,846	8,341	9,475	342,743
Miscellaneous	4,929	-	209,083	214,882
Total revenues	<u>3,657,765</u>	<u>500,158</u>	<u>1,336,466</u>	<u>5,504,389</u>
<b>EXPENDITURES:</b>				
Operating:				
Public safety and legal services	975,936	-	-	975,936
Physical health and social services	559,314	-	-	559,314
Mental health	-	159,787	-	159,787
County environment and education	239,749	-	115,750	355,499
Roads and transportation	-	-	4,241,979	4,241,979
Governmental services to residents	337,491	-	1,151	620
Administration	1,702,538	-	-	1,702,538
Capital projects	-	-	100,134	188,399
Total expenditures	<u>3,815,028</u>	<u>159,787</u>	<u>116,901</u>	<u>4,131,837</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(157,263)</u>	<u>340,371</u>	<u>1,219,565</u>	<u>70,199</u>
Other financial sources (uses):				
Operating transfers in	-	-	1,309,000	-
Operating transfers out	(90,400)	-	(1,218,600)	-
Total other financing sources (uses)	<u>(90,400)</u>	<u>-</u>	<u>1,309,000</u>	<u>1,309,000</u>
Change in fund balances	<u>(247,663)</u>	<u>340,371</u>	<u>965</u>	<u>70,199</u>
Fund balances - Beginning of year	<u>1,947,360</u>	<u>594,241</u>	<u>661,763</u>	<u>3,311,132</u>
Fund balances - End of year	<u>\$ 1,699,697</u>	<u>\$ 934,612</u>	<u>\$ 662,728</u>	<u>\$ 3,311,132</u>

KEOKUK COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

Change in fund balances - Total governmental funds	\$	309,695
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation and loss on disposal in the current year as follows:

Expenditures for capital assets	\$ 3,399,984		
Loss on disposal	(2,000)		
Farm to market funds used to construct infrastructure	1,926,050		
Depreciation expense	<u>(919,390)</u>		4,404,644

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized deferred inflows in the governmental funds as follows:

Property tax and other deferred inflows of resources		(13,962)
--	--	----------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		55,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Net OPEB liability	(25,751)		
Compensated absences	(15,194)		
Sick leave conversion	4,543		
Interest on long-term debt	<u>190</u>		(36,212)

The Internal Service Fund is used by management to charge the costs of employee health and dental benefits to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.

Change in net position of governmental activities	\$	<u>4,724,755</u>
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KEOKUK COUNTY, IOWA

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2014

Internal Service -  
 Employee  
Group Health

ASSETS

## Current Assets:

Cash, cash equivalents and pooled investments  
 Prepaid expenses

\$ 27,184  
91,767

TOTAL ASSETS 118,951

LIABILITIES AND NET POSITION

## Current Liabilities:

Deferred revenue

95,501

NET POSITION:

Unrestricted

\$ 23,450

KEOKUK COUNTY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2014

Internal Service -  
 Employee  
Group Health

OPERATING REVENUES:

Charges to County operating funds and others

\$ 1,105,684

OPERATING EXPENSES:

Medical and dental insurance premiums

1,097,402

Refunds and miscellaneous expenses

2,710

Total operating expenses

1,100,112

Operating income

5,572

NON-OPERATING REVENUES:

Interest income

18

Net income

5,590

NET POSITION - Beginning of year

17,860

NET POSITION - End of year

\$ 23,450

KEOKUK COUNTY, IOWA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2014

	Internal Service - Employee Group Health
<u>CASH FLOWS FROM OPERATING ACTIVITIES :</u>	
Cash received from charges to County operating funds and others	\$ 1,107,751
Cash payments for insurance premiums	(1,096,014)
Cash payments for miscellaneous services	<u>(2,710)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,027
<u>CASH FLOWS FROM INVESTING ACTIVITIES :</u>	
Interest on investments	<u>18</u>
NET INCREASE IN CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS	9,045
<u>CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS - Beginning of Year</u>	<u>18,139</u>
<u>CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS - End of Year</u>	<u>\$ 27,184</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH</u> <u>PROVIDED BY OPERATING ACTIVITIES :</u>	
Operating income	\$ 5,572
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in prepaid expenses	1,388
Increase in deferred inflows of resources <i>revenues</i>	<u>2,067</u>
Net cash provided by operating activities	<u>\$ 9,027</u>

KEOKUK COUNTY, IOWASTATEMENT OF FIDUCIARY ASSETS AND LIABILITIESAGENCY FUNDSJUNE 30, 2014ASSETS

Cash, cash equivalents and pooled investments:

County Treasurer \$ 764,478

Other County officials 205,082

Accounts receivable 9,702

Property tax receivable:

Delinquent 27,003

Succeeding year 11,526,604

Due from other governments 18,449

TOTAL ASSETS 12,551,318LIABILITIES

Accounts payable 1,855

Due to other governments 12,337,017

Salaries and benefits payable 4,732

Trusts payable 207,714TOTAL LIABILITIES 12,551,318NET POSITION \$

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Keokuk County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Keokuk County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Keokuk County Assessor's Conference Board, Keokuk County Emergency Management Commission and Keokuk County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets – consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position – results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position – consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The MH-DD Services Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds:

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

KEOKUK COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, compensated absences and sick leave conversion are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to other funds for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the date of purchase, have a maturity date no longer than three months.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles, and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	50,000
Equipment and vehicles	5,000



KEOKUK COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Infrastructure	40-65
Buildings and improvements	20-50
Equipment and vehicles	5-20

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, MH-DD Services and Secondary Roads Funds.

Sick Leave Conversion – Upon their retirement, County employees who have 15 years of continuous County employment, and meet certain other restrictions are eligible to use 25% of their accrued sick leave to pay for future health insurance premiums for themselves, their spouse and dependents, subject to certain coverage restrictions.

Long-Term Liabilities – In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the proceeding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the roads and transportation function.

NOTE 2: CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible banker's acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

The County's funds are all deposited in financial institution depository accounts.

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,218,600
	General	90,400
		\$ <u>1,309,000</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 4: CONTRACTS RECEIVABLE – SECONDARY ROADS

As of June 30, 2014, the County has long-term interest-free contracts receivable from three cities for reimbursements from road paving. Summaries of the repayment schedules are as follows:

<u>Year Ending June 30,</u>	<u>City of Gibson</u>	<u>City of Harper</u>	<u>City of What Cheer</u>	<u>Total</u>
2015	\$ 15,000	\$ 3,350	\$ 7,800	\$ 26,150
2016	2,500	1,675	7,800	11,975
2017	2,500	1,675	7,800	11,975
2018	2,500	1,675	7,800	11,975
2019	2,500	1,661	7,800	11,961
2020-2024	<u>2,379</u>	<u>-</u>	<u>34,125</u>	<u>36,504</u>
Total	\$ <u>27,379</u>	\$ <u>10,036</u>	\$ <u>73,125</u>	\$ <u>110,540</u>

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases and Transfers</u>	<u>Decreases and Transfers</u>	<u>Balance End of Year</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,011,300	\$ -	\$ -	\$ 1,011,300
Construction in progress	<u>734,386</u>	<u>1,926,050</u>	<u>(734,386)</u>	<u>1,926,050</u>
Total capital assets not being depreciated	<u>1,745,686</u>	<u>1,926,050</u>	<u>(734,386)</u>	<u>2,937,350</u>
Capital assets being depreciated:				
Buildings and improvements	1,945,049	-	-	1,945,049
Equipment and vehicles	4,949,846	584,885	(14,900)	5,519,831
Infrastructure	<u>14,362,697</u>	<u>3,549,485</u>	<u>-</u>	<u>17,912,182</u>
Total capital assets being depreciated	<u>21,257,592</u>	<u>4,134,370</u>	<u>(14,900)</u>	<u>25,377,062</u>
Less accumulated depreciation for:				
Buildings and improvements	571,713	51,087	-	622,800
Equipment and vehicles	3,206,171	386,597	(12,900)	3,579,868
Infrastructure	<u>1,908,843</u>	<u>481,706</u>	<u>-</u>	<u>2,390,549</u>
Total accumulated depreciation	<u>5,686,727</u>	<u>919,390</u>	<u>(12,900)</u>	<u>6,593,217</u>
Total capital assets being depreciated, net	<u>15,570,865</u>	<u>3,214,980</u>	<u>(2,000)</u>	<u>18,783,845</u>
Governmental activities capital assets, net	\$ <u>17,316,551</u>	\$ <u>5,141,030</u>	\$ <u>(736,386)</u>	\$ <u>21,721,195</u>

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE 5: CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 59,766
Physical health and social services	1,750
Mental health	600
County environment and education	70,446
Roads and transportation	734,316
Governmental services to residents	9,829
Administration	<u>42,683</u>

Total depreciation expense - Governmental activities	\$ <u>919,390</u>
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NOTE 6: DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2014 is as follows:

<u>Fund</u>	<u>Total</u>
General	\$ <u>14,564</u>
Special Revenue:	
MH-DD	3,132
Secondary Roads	2,027
Conservation Land Acquisition	909
Conservation	<u>1810</u>
	<u>7,878</u>
Total for governmental funds	\$ <u>22,442</u>
Agency:	
E-911	\$ 109,490
Fire districts	233,683
County hospital	1,211,823
Townships	111,239
Corporations	2,008,197
Schools	7,191,821
Area schools	529,804
County Assessor	444,257
Agriculture extension education	166,424
Auto license and use tax	277,718
All other	<u>52,561</u>
Total for agency funds	\$ <u>12,337,017</u>

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE 7: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	General Obligation Capital Loan Notes	Compensated Absences	Sick Leave Conversion	Net OPEB Liability	Total
Balance – Beginning of year	\$ 175,000	\$ 239,369	\$ 29,118	\$ 145,057	\$ 588,544
Increases	-	254,563	-	25,751	280,314
Decreases	<u>55,000</u>	<u>239,369</u>	<u>4,543</u>	<u>-</u>	<u>298,912</u>
Balance - End of year	\$ <u>120,000</u>	\$ <u>254,563</u>	\$ <u>24,575</u>	\$ <u>170,808</u>	\$ <u>569,946</u>
Due within one year	\$ <u>60,000</u>	\$ <u>254,563</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>314,563</u>

Capital Loan Notes

A summary of the County's June 30, 2014 general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	<u>\$575,000 – Series 2004</u>			
	Interest Rates	Principal	Interest	Total
2015	4.35 %	\$ 60,000	\$ 5,310	\$ 65,310
2016	4.50	<u>60,000</u>	<u>2,700</u>	<u>62,700</u>
Total		\$ <u>120,000</u>	\$ <u>8,010</u>	\$ <u>128,010</u>

During the year ended June 30, 2014, the County retired \$55,000 of capital loan notes.

NOTE 8: PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$275,618, \$279,361 and \$248,689, respectively, equal to the required contributions for each year.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. The County operates a single-employer health benefits plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 65 active and 1 retired member in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2014, the amounts actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 43,798
Interest on net OPEB obligation	5,802
Adjustment to annual required contribution	<u>(3,095)</u>
Annual OPEB cost	46,505
Contributions made	<u>(20,754)</u>
Increase in net OPEB obligation	25,751
Net OPEB obligation beginning of year	<u>145,057</u>
Net OPEB obligation end of year	\$ <u>170,808</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the County contributed \$20,754 to the medical plan.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2012	\$ 64,288	51.4%	\$ 118,391
2013	43,828	39.2	145,057
2014	46,505	44.6	170,808

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$374,045, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$374,045. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,206,406 and the ratio of the UAAL to covered payroll was 11.7%. As of June 30, 2014, there were no trust fund assets.

KEOKUK COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress For the Retiree Health Plan presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Combined Mortality Table, fully generationally projected using scale AA. Annual retirement and termination probabilities were determined using guidance from GASB 45 related to the use of the alternate method.

Projected claim costs of the medical plan are \$673 per month for retirees and \$1,609 per month for retirees and their spouses. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 10: RISK MANAGEMENT

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2014 were \$85,540.

KEOKUK COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE 10: RISK MANAGEMENT (Continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11: EMPLOYEE HEALTH INSURANCE PLAN

Monthly payments of service fees and plan contributions to the Keokuk County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Blue Cross and Blue Shield of Iowa from the Keokuk County Employee Group Health Fund. The County records the plan assets and related liabilities of the Keokuk County Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for both health premiums and dental premiums/claims for the year ended June 30, 2014 was \$1,105,684.

NOTE 12: CONSTRUCTION COMMITMENTS

Prior to June 30, 2014 the County had signed a construction contract that is summarized below:

Total commitments	\$	2,292,793
Less amounts paid or accrued		(1,926,050)
Remaining commitments	\$	<u>366,743</u>

The \$366,743 balance remaining on the project at June 30, 2014 will be paid as work on the project progresses.

NOTE 13: PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.



KEOKUK COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE 14: RELATED PARTY TRANSACTIONS

The County had business transactions between the County and County officials totaling \$1,029 during the year ended June 30, 2014.

NOTE 15: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2013 have been reclassified to conform to June 30, 2014 presentation.

NOTE 16: SUBSEQUENT EVENTS

Subsequent events have been reviewed through January 7, 2015, the date the financial statements were available to be issued.

## REQUIRED SUPPLEMENTARY INFORMATION

KEOKUK COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2014

	Governmental Fund Types <u>Actual</u>	Budgeted Amounts <u>Original</u>	Budgeted Amounts <u>Final</u>	Final to Actual <u>Variance</u>
<u>RECEIPTS:</u>				
Property and other County tax	\$ 4,313,336	\$ 4,306,116	\$ 4,306,116	\$ 7,220
Interest and penalty on property tax	43,889	38,000	38,000	5,889
Intergovernmental	3,256,067	2,966,224	3,207,307	48,760
Licenses and permits	23,308	34,500	34,500	(11,192)
Charges for service	574,310	549,330	549,330	24,980
Use of money and property	329,213	347,361	347,361	(18,148)
Miscellaneous	215,388	125,500	180,149	35,239
Total receipts	<u>8,755,511</u>	<u>8,367,031</u>	<u>8,662,763</u>	<u>92,748</u>
<u>DISBURSEMENTS:</u>				
Public safety and legal services	970,969	1,050,912	1,050,912	79,943
Physical health and social services	558,142	702,563	702,563	144,421
Mental health	166,180	490,075	490,075	323,895
County environment and education	355,148	356,499	356,499	1,351
Roads and transportation	4,394,559	4,006,350	4,392,082	(2,477)
Governmental services to residents	338,558	368,607	368,607	30,049
Administration	1,710,151	2,010,725	2,010,725	300,574
Capital projects	293,887	546,000	456,000	162,113
Total disbursements	<u>8,787,594</u>	<u>9,531,731</u>	<u>9,827,463</u>	<u>1,039,869</u>
Excess (deficiency) of receipts over (under) disbursements	(32,083)	(1,164,700)	(1,164,700)	1,132,617
Other financing sources, net	<u>-</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
Excess (deficiency) of receipts and other financing sources over (under) expenditures and other financing uses	(32,083)	(1,160,700)	(1,160,700)	1,128,617
<u>BALANCE</u> - Beginning of year	<u>4,844,203</u>	<u>4,852,356</u>	<u>4,852,356</u>	<u>(8,153)</u>
<u>BALANCE</u> - End of year	\$ <u>4,812,120</u>	\$ <u>3,691,656</u>	\$ <u>3,691,656</u>	\$ <u>1,120,464</u>

KEOKUK COUNTY, IOWA

BUDGET COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2014

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 8,755,511	\$ 177,032	\$ 8,932,543
Expenditures	<u>8,787,594</u>	<u>(164,746)</u>	<u>8,622,848</u>
Net	(32,083)	341,778	309,695
Beginning fund balances	<u>4,844,203</u>	<u>50,247</u>	<u>4,894,450</u>
Ending fund balances	\$ <u>4,812,120</u>	\$ <u>392,025</u>	\$ <u>5,204,145</u>

KEOKUK COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund and the Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregate function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department.. During the year one budget amendment increased budgeted disbursements by \$295,732. The budget amendments are reflected in the final budgeted amounts

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the roads and transportation function.

KEOKUK COUNTY, IOWA

SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year</u> <u>Ended</u> <u>June 30,</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>( a )</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>( b )</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>( b-a )</u>	<u>Funded</u> <u>Ratio</u> <u>( a/b )</u>	<u>Covered</u> <u>Payroll</u> <u>( c )</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>( (b-a)/c )</u>
2011	July 1, 2009	\$ -	\$ 557,392	\$ 557,392	0%	\$ 2,551,784	21.84%
2012	July 1, 2009	\$ -	\$ 557,392	\$ 557,392	0%	\$ 2,622,400	21.26%
2013	July 1, 2012	\$ -	\$ 374,045	\$ 374,045	0%	\$ 2,689,110	13.90%
2014	July 1, 2012	\$ -	\$ 374,045	\$ 374,045	0%	\$ 3,206,406	11.67%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## SUPPLEMENTARY INFORMATION

KEOKUK COUNTY, IOWA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014

		<u>Special Revenue</u>	
		<u>County</u>	<u>Conservation</u>
		<u>Recorder's</u>	<u>Land</u>
	<u>REAP</u>	<u>Records</u>	<u>Acquisition</u>
	<u>Fund</u>	<u>Management</u>	
<u>ASSETS</u>			
Cash, cash equivalents and pooled investments	\$ 26,619	\$ 6,191	\$ 240,394
Accounts receivable	<u>-</u>	<u>-</u>	<u>3,085</u>
TOTAL ASSETS	\$ <u>26,619</u>	\$ <u>6,191</u>	\$ <u>243,479</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ -	\$ -	\$ 1,355
Due to other governments	<u>-</u>	<u>-</u>	<u>909</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>2,264</u>
<u>FUND BALANCES:</u>			
Restricted for:			
Other purposes	<u>26,619</u>	<u>6,191</u>	<u>241,215</u>
Total fund balances	<u>26,619</u>	<u>6,191</u>	<u>241,215</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>26,619</u>	\$ <u>6,191</u>	\$ <u>243,479</u>



<u>Conservation</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 97,938	\$ 31,526	\$ 402,668
-	-	3,085
\$ <u>97,938</u>	\$ <u>31,526</u>	\$ <u>405,753</u>
\$ 348	\$ -	\$ 1,703
1,810	-	2,719
<u>2,158</u>	-	<u>4,422</u>
<u>95,780</u>	<u>31,526</u>	<u>401,331</u>
<u>95,780</u>	<u>31,526</u>	<u>401,331</u>
\$ <u>97,938</u>	\$ <u>31,526</u>	\$ <u>405,753</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

		<u>Special Revenue</u>	
		County	
	<u>REAP</u>	<u>Recorder's</u>	<u>Conservation</u>
	<u>Fund</u>	<u>Records</u>	<u>Land</u>
		<u>Management</u>	<u>Acquisition</u>
<u>REVENUES:</u>			
Intergovernmental	\$ 13,180	\$ -	\$ -
Charges for service	-	1,834	84,498
Use of money and property	44	196	52,723
Miscellaneous	-	-	870
Total revenues	<u>13,224</u>	<u>2,030</u>	<u>138,091</u>
<u>EXPENDITURES:</u>			
Operating:			
Governmental services to residents	-	620	-
Capital projects	<u>18,254</u>	-	<u>97,960</u>
Total expenditures	<u>18,254</u>	<u>620</u>	<u>97,960</u>
Change in fund balances	(5,030)	1,410	40,131
Fund balances - Beginning of year	<u>31,649</u>	<u>4,781</u>	<u>201,084</u>
Fund balances - End of year	\$ <u>26,619</u>	\$ <u>6,191</u>	\$ <u>241,215</u>

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<u>Conservation</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 96,851	\$ -	\$ 110,031
-	8,904	95,236
118	-	53,081
-	-	870
<u>96,969</u>	<u>8,904</u>	<u>259,218</u>
-	-	620
<u>65,144</u>	<u>7,041</u>	<u>188,399</u>
<u>65,144</u>	<u>7,041</u>	<u>189,019</u>
31,825	1,863	70,199
<u>63,955</u>	<u>29,663</u>	<u>331,132</u>
\$ <u>95,780</u>	\$ <u>31,526</u>	\$ <u>401,331</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2014

	County Offices		
	<u>County Recorder</u>	<u>County Sheriff</u>	<u>County Auditor</u>
<u>ASSETS</u>			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ -	\$ -	\$ -
Other County officials	9,033	39,095	156,954
Receivables:			
Accounts	-	-	-
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Due from other governments	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ <u>9,033</u>	\$ <u>39,095</u>	\$ <u>156,954</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ -
Due to other governments	9,033	-	-
Salaries and benefits payable	-	-	-
Trusts payable	-	39,095	156,954
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	\$ <u>9,033</u>	\$ <u>39,095</u>	\$ <u>156,954</u>

<u>E-911</u>	<u>Emergency Management Services</u>	<u>Fire Districts</u>	<u>Brucellosis and Tuberculosis Eradication Fund</u>	<u>County Hospital</u>	<u>Townships</u>	<u>Corporations</u>
\$ 101,118	\$ 16,898	\$ 3,787	\$ 827	\$ 21,639	\$ 1,932	\$ 41,005
9,702	-	-	-	-	-	-
-	-	537	4	2,782	255	4,597
-	-	229,359	1,789	1,187,402	109,052	1,962,595
<u>18,449</u>	<u>18,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>110,820</u>	\$ <u>35,347</u>	\$ <u>233,683</u>	\$ <u>2,620</u>	\$ <u>1,211,823</u>	\$ <u>111,239</u>	\$ <u>2,008,197</u>
\$ 1,330	\$ 525	\$ -	\$ -	\$ -	\$ -	\$ -
109,490	33,752	233,683	2,620	1,211,823	111,239	2,008,197
-	1,070	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>110,820</u>	\$ <u>35,347</u>	\$ <u>233,683</u>	\$ <u>2,620</u>	\$ <u>1,211,823</u>	\$ <u>111,239</u>	\$ <u>2,008,197</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2014

	<u>Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>	<u>Agriculture Extension Education</u>
<u>ASSETS</u>				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ 130,947	\$ 7,870	\$ 139,062	\$ 2,854
Other County officials	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Property tax:				
Delinquent	16,504	1,220	722	382
Succeeding year	7,044,370	520,714	308,135	163,188
Due from other governments	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	\$ <u>7,191,821</u>	\$ <u>529,804</u>	\$ <u>447,919</u>	\$ <u>166,424</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other governments	7,191,821	529,804	444,257	166,424
Salaries and benefits payable	-	-	3,662	-
Trusts payable	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	\$ <u>7,191,821</u>	\$ <u>529,804</u>	\$ <u>447,919</u>	\$ <u>166,424</u>

<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>	<u>Tax Sale Redemption Trust</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>Recorder's E-Transfer Fee</u>	<u>Advance Tax</u>	<u>Total</u>
\$ 277,718	\$ 7,076	\$ 1,654	\$ 80	\$ 193	\$ 9,818	\$ 764,478
-	-	-	-	-	-	205,082
-	-	-	-	-	-	9,702
-	-	-	-	-	-	27,003
-	-	-	-	-	-	11,526,604
-	-	-	-	-	-	18,449
<u>\$ 277,718</u>	<u>\$ 7,076</u>	<u>\$ 1,654</u>	<u>\$ 80</u>	<u>\$ 193</u>	<u>\$ 9,818</u>	<u>\$ 12,551,318</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,855
277,718	7,076	-	80	-	-	12,337,017
-	-	-	-	-	-	4,732
-	-	1,654	-	193	9,818	207,714
<u>\$ 277,718</u>	<u>\$ 7,076</u>	<u>\$ 1,654</u>	<u>\$ 80</u>	<u>\$ 193</u>	<u>\$ 9,818</u>	<u>\$ 12,551,318</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2013

<u>ASSETS AND LIABILITIES</u>	<u>County Offices</u>		
	<u>County Recorder</u>	<u>County Sheriff</u>	<u>County Auditor</u>
Balances beginning of year	\$ <u>9,077</u>	\$ <u>36,875</u>	\$ <u>157,308</u>
Additions:			
Property and other County tax	-	-	-
State tax credits	-	-	-
E911 surcharge	-	-	-
Emergency management grants	-	-	-
Office fees and collections	157,582	-	-
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Interest income	-	-	-
Trusts	-	95,392	-
Miscellaneous	-	-	-
Total additions	<u>157,582</u>	<u>95,392</u>	<u>-</u>
Deductions:			
Agency remittances:			
To other governments	157,626	-	-
Trusts paid out	-	93,172	354
Total deductions	<u>157,626</u>	<u>93,172</u>	<u>354</u>
Balances end of year	\$ <u>9,033</u>	\$ <u>39,095</u>	\$ <u>156,954</u>



<u>E-911</u>	<u>Emergency Management Services</u>	<u>Fire Districts</u>	<u>Brucellosis and Tuberculosis Eradication Fund</u>	<u>County Hospital</u>	<u>Townships</u>	<u>Corporations</u>
\$ <u>96,660</u>	\$ <u>10,945</u>	\$ <u>232,809</u>	\$ <u>2,587</u>	\$ <u>1,252,071</u>	\$ <u>110,883</u>	\$ <u>1,997,522</u>
-	-	215,745	1,670	1,107,091	101,670	1,794,921
-	-	12,587	106	73,361	6,711	148,147
183,821	114,270	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
206	-	-	-	-	-	-
<u>184,027</u>	<u>114,270</u>	<u>228,332</u>	<u>1,776</u>	<u>1,180,452</u>	<u>108,381</u>	<u>1,943,068</u>
169,867	89,868	227,458	1,743	1,220,700	108,025	1,932,393
-	-	-	-	-	-	-
<u>169,867</u>	<u>89,868</u>	<u>227,458</u>	<u>1,743</u>	<u>1,220,700</u>	<u>108,025</u>	<u>1,932,393</u>
\$ <u>110,820</u>	\$ <u>35,347</u>	\$ <u>233,683</u>	\$ <u>2,620</u>	\$ <u>1,211,823</u>	\$ <u>111,239</u>	\$ <u>2,008,197</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2014

<u>ASSETS AND LIABILITIES</u>	<u>Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>
Balances beginning of year	\$ <u>7,333,263</u>	\$ <u>453,235</u>	\$ <u>404,548</u>
Additions:			
Property and other County tax	6,566,416	491,856	290,751
State tax credits	441,063	26,516	15,987
E911 surcharge	-	-	-
Emergency management grants	-	-	-
Office fees and collections	-	-	15
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Interest income	-	-	-
Trusts	-	-	-
Miscellaneous	-	-	-
Total additions	<u>7,007,479</u>	<u>518,372</u>	<u>306,753</u>
Deductions:			
Agency remittances:			
To other governments	7,148,921	441,803	263,382
Trusts paid out	-	-	-
Total deductions	<u>7,148,921</u>	<u>441,803</u>	<u>263,382</u>
Balances end of year	\$ <u>7,191,821</u>	\$ <u>529,804</u>	\$ <u>447,919</u>

## Schedule 4 - (Continued)

<u>Agriculture Extension Education</u>	<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>	<u>Tax Sale Redemption Trust</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>Recorder's E-Transfer Fee</u>	<u>Advance Tax</u>	<u>Total</u>
\$ 165,098	\$ 240,239	\$ 2,371	\$ 1,654	\$ 73	\$ 209	\$ 7,881	\$ 12,515,308
152,612				-			10,722,732
9,675			-				734,153
-			-				183,821
-			-				114,270
					2,027		159,624
	3,396,616						3,396,616
	-	26,408					26,408
			206,318			-	206
				7	-	1,937	303,647
							7
<u>162,287</u>	<u>3,396,616</u>	<u>26,408</u>	<u>206,318</u>	<u>7</u>	<u>2,027</u>	<u>1,937</u>	<u>15,641,484</u>
160,961	3,359,137	21,703	-	-	2,043	-	15,305,630
		-	206,318	-		-	299,844
<u>160,961</u>	<u>3,359,137</u>	<u>21,703</u>	<u>206,318</u>	<u>-</u>	<u>2,043</u>	<u>-</u>	<u>15,605,474</u>
\$ 166,424	\$ 277,718	\$ 7,076	\$ 1,654	\$ 80	\$ 193	\$ 9,818	\$ 12,551,318

KEOKUK COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>REVENUES:</b>				
Property and other County tax	\$ 4,323,336	\$ 4,380,378	\$ 4,134,082	\$ 4,451,090
Interest and penalty on property tax	29,627	52,943	39,309	53,271
Intergovernmental	3,433,930	2,951,572	3,872,401	3,600,737
Licenses and permits	17,973	18,841	29,193	128,579
Charges for service	570,052	633,178	504,375	537,607
Use of money and property	342,743	367,741	277,866	394,694
Miscellaneous	<u>214,882</u>	<u>192,092</u>	<u>205,244</u>	<u>209,508</u>
Total	\$ <u>8,932,543</u>	\$ <u>8,596,745</u>	\$ <u>9,062,470</u>	\$ <u>9,375,486</u>
<b>EXPENDITURES:</b>				
Operating:				
Public safety and legal services	\$ 975,936	\$ 1,060,450	\$ 960,742	\$ 962,292
Physical health and social services	559,314	538,613	539,300	534,636
Mental health	159,787	281,813	1,092,270	883,459
County environment and education	355,499	351,430	625,558	584,534
Roads and transportation	4,241,979	4,913,046	4,198,847	3,638,085
Governmental services to residents	339,262	327,923	335,334	317,273
Administration	1,702,538	1,814,802	1,652,919	1,991,011
Nonprogram activities	-	-	-	-
Debt service	-	2,750	2,676	-
Capital projects	<u>288,533</u>	<u>309,295</u>	<u>448,443</u>	<u>505,607</u>
Total	\$ <u>8,622,848</u>	\$ <u>9,600,122</u>	\$ <u>9,856,089</u>	\$ <u>9,416,897</u>

Modified Accrual Basis						
Year Ended June 30,						
2010	2009	2008	2007	2006	2005	
\$ 4,491,081	\$ 4,278,362	\$ 4,146,427	\$ 3,908,985	\$ 3,639,988	\$ 2,911,738	
49,825	39,162	37,434	33,216	34,828	36,550	
3,382,091	3,164,445	3,250,346	3,178,938	3,448,239	3,843,007	
119,673	20,444	27,385	27,439	17,158	19,135	
500,348	520,652	559,983	540,381	731,732	551,125	
447,740	471,183	520,114	416,800	226,287	128,207	
<u>229,827</u>	<u>188,329</u>	<u>201,933</u>	<u>191,985</u>	<u>194,051</u>	<u>225,359</u>	
\$ <u>9,220,585</u>	\$ <u>8,682,577</u>	\$ <u>8,743,622</u>	\$ <u>8,297,744</u>	\$ <u>8,292,283</u>	\$ <u>7,715,121</u>	
\$ 832,873	\$ 791,749	\$ 815,636	\$ 927,905	\$ 889,643	\$ 878,022	
522,230	541,124	650,420	634,550	606,011	593,320	
788,534	910,276	929,375	885,827	747,131	716,380	
373,943	365,580	370,509	427,390	442,101	423,759	
3,362,003	3,628,974	3,446,243	3,744,575	3,864,764	3,414,703	
304,348	328,383	344,202	264,485	450,361	351,043	
1,296,221	1,427,247	1,132,990	1,114,387	859,312	891,944	
-	-	-	312,579	3,446	8,736	
-	-	-	-	42,660	582,291	
<u>318,217</u>	<u>166,091</u>	<u>185,331</u>	<u>546,270</u>	<u>420,552</u>	<u>1,225,509</u>	
\$ <u>7,798,369</u>	\$ <u>8,159,424</u>	\$ <u>7,874,706</u>	\$ <u>8,857,968</u>	\$ <u>8,325,981</u>	\$ <u>9,085,707</u>	

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Supervisors  
Keokuk County, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Keokuk County, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Keokuk County, Iowa's basic financial statements and have issued our report thereon dated January 7, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Keokuk County, Iowa's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Keokuk County, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of Keokuk County, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items II-A-14 and II-D-14 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-B-14 and II-C-14 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Keokuk County, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in part III of the accompanying schedule of findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Keokuk County, Iowa's Response to Findings

Keokuk County, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings. Keokuk County, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Keokuk County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
January 7, 2015

KEOKUK COUNTY, IOWA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS:

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Internal Control Deficiencies:

II-A-14 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in each of the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipts records.	Ag Extension Recorder
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not handle or record cash.	Ag Extension Recorder
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Ag Extension Recorder

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. Officials should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.



KEOKUK COUNTY, IOWA

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS: (Continued)

Internal Control Deficiencies: (Continued)

II-A-14 Segregation of Duties (Continued)

Responses

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Recorder – At the end of each day a listing of cash receipts, a fee book report of entered business and cash on hand are balanced or compared by two or more employees. Bank accounts are reconciled promptly by the Deputy Recorder, who does not sign checks except in the absence of the Recorder. Two or more employees are involved in comparing a listing of cash receipts, fee book report of entered business and actual cash to balance before weekly cash deposits are made. The same practice is used monthly and quarterly to balance at the end of each month and quarter. It should be noted that at the end of the fiscal year, the Recorder's checking account obtains a zero balance as no monies are retained by this office except for \$100 petty cash retained for the cash register. All monies either monthly or quarterly are reported to the County Treasurer or appropriate state or federal agencies. As this office employs a full-time Recorder, a full-time Deputy and a part-time Recording clerk, I feel we have accomplished a segregation of duties to the best of our ability.

Conclusion – Responses accepted.

Instances of Non-Compliance:

No matters were noted.

II-B-14 Travel Documentation

Comment – During expense testing we found a mileage reimbursement that did not include the number of miles driven.

Recommendation – Requests for mileage reimbursements should contain the number of miles to be reimbursed and the rate per mile. This will allow the county employees to properly reimburse employees and officials.

Response – We will do so from now on.

Conclusion – Response accepted.

II-C-14 Travel Policy

Comment – During expense testing it was discovered that two travel expenses were reimbursed for two employees traveling to the same location on the same day and time.

Recommendation – Employees and officials traveling to the same event should travel together to reduce expenses charged to the County.

Response – We will do so from now on.

Conclusion – Response accepted.

KEOKUK COUNTY, IOWA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

**II-D-14    Emergency Management Disbursements**

Comment – During our audit it was determined that the Emergency Management coordinator was making purchases at Menards in Iowa City and Ottumwa, Iowa. Although the purchases appear to have been for the benefit of Keokuk County, Iowa, purchases of certain items generate notice of eligibility for rebates upon application thereof. It appears that some of these earned rebates were applied for by the Emergency Management coordinator personally and that these rebates were redeemed, but not used for purchases for the benefit of Keokuk County, Iowa. The amount of rebates earned by Keokuk County, Iowa purchases and subsequently redeemed was \$44.57.

Recommendation – Discounts or rebates earned on the purchase of goods and/or services paid with County funds should only be used for the benefit of the County.

Response – The Emergency Management coordinator will reimburse the County \$44.57 and the Emergency Management Commission will adopt an updated procurement policy that addresses these concerns. In addition, in the future rebates will be applied for in the County's name not the Emergency Management coordinator's.

Conclusion – Response accepted.

**PART III:    OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:**

**III-A-14    Certified Budget** – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the roads and transportation function.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget in the future, when required.

Conclusion – Response accepted.

**III-B-14    Questionable Expenditures** – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

**III-C-14    Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

**III-D-14    Business Transactions** – No business transactions between the County and County officials or employees were noted.

**III-E-14    Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

**III-F-14    Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.

**III-G-14    Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.

**III-H-14    Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

**III-I-14    County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2014 for the County Extension Office did not exceed the amount budgeted.